

Message Text

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PAGE 01 JIDDA 01591 281238Z
ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 COME-00 CIAE-00 INR-07 NSAE-00
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R 281016Z FEB 77
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 7445
INFO AMCONSUL DHAHRAN

C O N F I D E N T I A L JIDDA 1591

E.O. 11652: GDS
TAGS: BDIS, BENC, SA, US
SUBJECT: TENDER CANCELLATION: PERINI CORPORATION CALL ON AMBASSADOR

REF JIDDA 1352

1. AMBASSADOR IN COMPANY WITH EMBOFFS RECEIVED MR. ALBERT J. PERINI, SENIOR VICE PRESIDENT, PERINI CORPORATION, SAN FRANCISCO AND BOSTON, AND OTHER COMPANY OFFICIALS ON FEBRUARY 26. PURPOSE OF CALL WAS TO LODGE COMPLAINT, ALLEGING UNFAIR TREATMENT AGAINST PERINI IN CANCELLATION OF TAIF SEWER/WATER PROJECT TENDER FOR WHICH COMPANY WAS LOWEST BIDDER.

2. ACCORDING TO PERINI, FIRM WAS LOW BIDDER AT \$620 MILLION IN JOINT VENTURE WITH SAUDI CONSTRUCTION COMPANY (SOLICO) ON TAIF SEWER/WATER AND SEWAGE TREATMENT PLANT. PERINI ALLEGES THAT HIS FIRM'S REPUTATION HAS BEEN TARNISHED BY PUBLIC NOTICE OF TENDER CANCELLATION WHEREIN SAG IMPLIES THERE WAS COLLUSION AMONG BIDDERS AND/OR CONSULTANTS ON PROJECT. PERINI VOLUNTEERED THE INFORMATION THAT THEIR ASSOCIATION WITH SOLICO WAS BECAUSE SOLICO HAD PREQUALIFIED FOR TAIF BID AND PERINI HAD NOT (ALTHOUGH PERINI WAS PREQUALIFIED FOR ANOTHER PROJECT AT AL-KHOBAR). THEIR JOINT VENTURE WAS SPLIT 80 PERCENT PERINI, 20 PERCENT SOLICO.

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3. TO DATE, PERINI HAS NOT REPEAT NOT RECEIVED AN OFFICIAL NOTICE FROM MINISTRY OF MUNICIPAL AND RURAL AFFAIRS INFORMING COMPANY THAT BID REJECTED OR TENDER CANCELLED. PERINI BELIEVES IT WILL RECEIVE SUCH NOTICE BUT IS PRESENTLY ACTING UPON BASIS OF PRESS ACCOUNTS. IN ADDITION TO ALLEGED DAMAGE TO REPUTATION, PERINI FEARS THAT COMPANY MAY BE PLACED ON SOME SORT OF SAUDI "BLACK-

LIST", PHANTOM OR OTHERWISE. PERINI TOLD AMBASSADOR THAT FIRM WILL MAKE FORMAL COMPLAINT TO DEPARTMENT, SINCE IT IS A PUBLIC CORPORATION AND THE EVENTUAL DEFENSE OF ITS INTERESTS MAKES THIS A NECESSITY. PERINI WAS ENCOURAGED TO DO SO IF HE FELT THE NEED OF IT.

4. AMBASSADOR AND EMBOFFS COUNSELED PATIENCE AND URGED PERINI TO FOLLOW THE GUIDANCE OF HIS SAUDI PARTNER WHO IS OF SUCH PERSUASION. PERINI STATED FIRM WOULD BE PREPARING "WHITE PAPER" TO DISTRIBUTE TO CERTAIN KEY OFFICIALS AND PROMISED EMBASSY A COPY OF SAME. SOME SOUNDINGS HAVE APPARENTLY ALREADY BEEN MADE AT THE MINISTRY BUT OFFICIALS THERE WERE NOT INCLINED TO DISCUSS THE MATTER, AT LEAST NOT YET. MEANWHILE, PRESS REPORTS THAT MINISTER, HRH PRINCE MAJID, HAS GONE OFF TO EUROPE ON HOLIDAY.

5. COMMENT: PERINI CASE PROMISES TO BE SOMEWHAT STICKY. CALL UPON AMBASSADOR WAS MARKED BY CONSIDERABLE BLUSTER, WITH THINLY VEILED HINTS ABOUT CONSEQUENCES WHICH MIGHT FOLLOW IF COMPANY DOES NOT GET FAIR HEARING. PERINI WAS ASSURED THAT EMBASSY WOULD FOLLOW DEVELOPMENTS MOST CLOSELY BUT FIRM WOULD HAVE TO KEEP EMBASSY FULLY INFORMED OF ITS OFFICIAL ACTIONS AGAINST THE DAY WHEN EMBASSY INTERCESSION MIGHT POSSIBLY BE JUSTIFIED (WHICH CERTAINLY IS NOT NOW, AND MR. PERINI WAS SO INFORMED). PATIENCE IS EVERYTHING IN THIS CASE AND PERINI'S TEMPERAMENT WOULD NOT SEEM TO AUGER WELL FOR HAPPY RESOLUTION OF THE PROBLEM. PERINI SEEKS REMOVE BLEMISH WHICH E
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IMAGINES FIRM HAS SUFFERED AND STILL OBTAIN SOME OF THE WORK IF POSSIBLE. A WAY MUST ALSO BE FOUND TO UPHOLD MINISTRY'S POSITION ON "INFLATED BIDS" IF THE PROJECT IS REVIVED.

6. IN THE LIGHT OF THE SAG'S STATEMENT THAT IT WOULD BE EXAMINING THE RELATIONSHIP BETWEEN FOREIGN COMPANIES AND THEIR SAUDI AGENTS, IT COULD BE THAT THE SOLICO INVOLVEMENT IS THE ELEMENT PREJUDICIAL TO THE PERINI BID. THIS WOULD BE ESPECIALLY SO IF SOLICO TAKES 20 PERCENT OF ANY PROFITS AND DOES NONE OF THE WORK ON THE JOB, WHICH IS OUR UNDERSTANDING FROM PERINI CONVERSATION. IN ESSENCE, WHAT SOLICO DID WAS "SELL" ITS PREQUALIFICATION TO DO THE TAIF JOB, BUT THIS MAY BE STANDARD PRACTICE AMONG CONTRACTORS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Drafter: n/a
Enclosure: n/a
Executive Order: GS
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Office: ACTION NEA
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Page Count: 3
Previous Channel Indicators: n/a
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Previous Handling Restrictions: n/a
Reference: 77 JIDDA 1352
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 20-Apr-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3290860
Secure: OPEN
Status: NATIVE
Subject: TENDER CANCELLATION: PERINI CORPORATION CALL ON AMBASSADOR
TAGS: BDIS, BENC, SA, US
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/938a17c5-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009